

Claims: We claim:

1. A method for defining loss coverage and calculating premium based on the terms of an insurance policy:
 - (a) using a contract that enables an exchange of money between two parties, where the coverage buyer is someone other than an insurer or a reinsurer, such that said exchange is determined by two functional relationships to said insurance policy, where one said functional relationship defines loss coverage as a function of the recovery under said insurance policy and the other said functional relationship calculates the premium of said contract as a function of the premium of said insurance policy,whereby simple and cost efficient coverage is provided for losses that are expensive to define or prove.
2. The contract of claim 1(a) that is structured as one or more provisions in any type of contract.
3. The functional relationships of claim 1(a) where said contract's premium and loss coverage are directly proportional to the premium charged and the losses recovered under said insurance policy.
4. The functional relationships of claim 1(a) where said contract's premium and loss coverage are not directly proportional to the premium charged and the losses recovered under said insurance policy.
5. A method for defining loss coverage and calculating premium based on the terms of an insurance policy:

- (a) using a contract that enables an exchange of money between an insured and a party other than its insurer such that said exchange is determined by two functional relationships to said insurance policy, where one said functional relationship defines loss coverage as a function of the recovery under said insurance policy and the other said functional relationship calculates the premium of said contract as a function of the premium of said insurance policy,
whereby simple and cost efficient coverage is provided for losses that are expensive to define or prove.
- 6. The contract of claim 5(a) that is structured as one or more provisions in any type of contract.
- 7. The functional relationships of claim 5(a) where said contract's premium and loss coverage are directly proportional to the premium charged and the losses recovered under said insurance policy.
- 8. The functional relationships of claim 5(a) where said contract's premium and loss coverage are not direct proportional to the premium charged and the losses recovered under said insurance policy.
- 9. A method for defining collateral loss coverage and calculating collateral loss premiums based on the terms of an insurance policy:
 - (a) using a contract that enables an exchange of money between two parties, where the coverage buyer is someone other than an insurer or a reinsurer, such that said exchange is determined by two functional relationships to said insurance policy, where one said functional relationship defines loss coverage as a function of the recovery under said insurance policy and the other said functional relationship

calculates the premium of said contract as a function of the premium of said insurance policy,
whereby simple and cost efficient coverage is provided for losses that are expensive to define or prove.

10. The contract of claim 9(a) that is structured as one or more provisions in any type of contract.
11. The functional relationships of claim 9(a) where said contract's premium and loss coverage are directly proportional to the premium charged and the losses recovered under said insurance policy.
12. The functional relationships of claim 9(a) where said contract's premium and loss coverage are not direct proportional to the premium charged and the losses recovered under said insurance policy.
13. A method for defining collateral loss coverage and calculating collateral loss premiums based on the terms of an insurance policy:
 - (a) using a contract that enables an exchange of money between a party, other than the insured or the insurer, that is purchasing collateral loss protection and another party such that said exchange is determined by two functional relationships to said insurance policy, where one said functional relationship defines loss coverage as a function of the recovery under said insurance policy and the other said functional relationship calculates the premium of said contract as a function of the premium of said insurance policy,
whereby simple and cost efficient coverage is provided for losses that are expensive to define or prove.

14. The contract of claim 13(a) that is structured as one or more provisions in any type of contract.
15. The functional relationships of claim 13(a) where said contract's premium and loss coverage are directly proportional to the premium charged and the losses recovered under said insurance policy.
16. The functional relationships of claim 13(a) where said contract's premium and loss coverage are not direct proportional to the premium charged and the losses recovered under said insurance policy.
17. A method for defining loss coverage and calculating premiums based on the terms of an insurance policy:
 - (a) using a standardized methodology so as to substantially reduce the cost of the underwriting and claims handling expenses,
 - (b) using a contract that offers loss protection,
 - (c) using a process that enables a coverage seller to create a portfolio of contracts that mimics the loss experience of many different insurance companies,whereby coverage sellers may offer a new type of cost-effective loss protection that also enables them to generate a high return on their capital.